

September 5, 2014

Ms. Laura Peters  
Department of Water Resources, Division of IRWM  
Laura.Peters@water.ca.gov

**Re: Comments on 2014 Water-Energy Grant Program Draft Guidelines  
and Proposal Solicitation Package**

Dear Ms. Peters:

The State Water Contractors (SWC) appreciates this opportunity to comment on the proposed Guidelines and Proposal Solicitation Package (PSP) for the 2014 Water-Energy Grant Program. Our comments are on the ranking criteria. The objective is to maximize greenhouse gas emission (GHG) reductions the DWR grant program produces given the funding source is Cap-and-Trade funds. That is achieved by giving higher priority to projects that produce a high level of energy savings and reduce GHG emissions. We feel these comments will help DWR structure the grant program in a way that achieves the objectives of AB 32, Global Climate Change Solutions Act, and SB 103.

**INTRODUCTION**

The State Water Contractors is a non-profit, mutual benefit corporation organized under the laws of the State of California, comprised of 27 public agencies holding contracts to purchase water delivered by the State Water Resources Development System. SWC's public agency members are the beneficial users of the State Water Project (SWP), providing water for drinking, commercial, industrial, and agricultural purposes to a population of more than 25 million people and to over 750,000 acres of farmland throughout the San Francisco Bay Area, the Central Valley of California, and Southern California. The primary purpose of the SWP is to store and deliver water to the customers of the SWP, who pay all of its costs.

**BACKGROUND**

The Global Warming Solutions Act of 2006, commonly referred to as AB 32, established the goal of reducing GHG emissions statewide to 1990 levels by 2020. A key tool to achieve the GHG reductions is the state's Cap-and-Trade program. The Cap-and-Trade program is the funding source for the DWR grant program.



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In January 2014, the Governor's FY 2014/15 budget proposal included the first material expenditure plan for cap-and-trade revenues. The Governor's budget proposed \$20 million in both 2014-15 and 2015-16 for DWR to support water-energy efficiency activities. Half of the funding was for grants to local agencies to fund water conservation measures intended to reduce the amount of energy used to move, treat, and heat water.

In February 2014, the Legislative Analyst's Office released its report on the proposed use of Cap-and-Trade revenues in the Governor's proposal. The LAO found that:

"In order to minimize the negative economic impact of cap-and-trade, it is important that auction revenues be invested in a way that maximizes GHG emission reductions for a given level of spending."

In March 2014 the governor signed SB 103 which replaced the budget proposal as the means to appropriate Cap-and-Trade funds for the DWR water-energy grant program. Consistent with AB 32, the LAO report and the governor's budget proposal, SB 103 requires that water efficiency and conservations projects reduce GHG emissions.

The DWR Water-Energy Grant Program provides funds to implement water efficiency programs or projects that reduce greenhouse gas emissions, and reduce water and energy use. The most direct measure of the GHG reductions of a water efficiency or conservation project is the avoided carbon content of the project's energy supply.

The SWC provide this background on the genesis of the DWR Water-Energy Grant Program in order to give context to amendments we recommend.

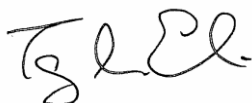
### **SWC REQUESTED AMENDMENTS TO DWR WATER-ENERGY GRANT PROGRAM**

The objective of the state's landmark legislation AB 32 is to reduce GHG. Cap-and-Trade funds are to be used to achieve that objective. Energy savings is a more accurate indicator of GHG savings than water savings. The Funding Priorities set forth in Table 3 should lead to projects that maximize GHG emission reductions.

The SWC recommend that projects that result in High Energy Savings should receive a higher priority ranking than projects that result in Medium Water Savings. This will maximize GHG reductions for a given amount of funding. This change will reverse the order of Priority Rankings 2 and 3 and 6 and 7 in table 3.

The State Water Contractors appreciate the California Department of Water Resources of this proposal. Please contact Tim Haines, Deputy General Manager, at 916-447-7357 ext 205.

Sincerely,



Terry Erlewine,  
General Manager